

Agency 124

**Department of Retirement Systems****Recommendation Summary**

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
<b>2005-07 Expenditure Authority</b>	272.4		49,396	49,396
<b>Supplemental Changes</b>				
PSERS Plan Qualification Costs			99	99
Plan 3 Basis Recovery	.3		372	372
Compensation Updates/Corrections			(565)	(565)
Retirement Workforce Study			750	750
Pension Plan 1 Unfunded Liabilities			118	118
Central Service Agency Charges			70	70
<b>Subtotal - Supplemental Changes</b>	0.3		844	844
<b>Total Proposed Budget</b>	272.7		50,240	50,240
Difference	.3		844	844
Percent Change	0.1%		1.7%	1.7%

**SUPPLEMENTAL CHANGES****PSERS Plan Qualification Costs**

The Department of Retirement Systems (DRS) will continue its efforts to obtain a favorable plan determination from the Internal Revenue Service (IRS) for the Public Safety Employees' Retirement System (PSERS). A favorable determination is required to qualify the plan as a tax-deferred defined benefit plan under Section 401(a) of the IRS code, which would have significant tax implications for both PSERS members and employers. Funding was provided in the 2004 legislative session for this effort, but outside tax counsel subsequently identified that the Washington Administrative Code (WAC) for PSERS must be submitted as part of the request to the IRS. Because WAC development will be finalized during Fiscal Year 2006, the funds provided for plan determination were not spent last biennium and need to be appropriated in this biennium. (Department of Retirement Systems Expense Account-State)

**Plan 3 Basis Recovery**

The department will modify its automated systems to adjust the manner in which the taxable basis of Plan 3 members' distribution (either lump sum or installment) is calculated. Tax counsel has advised the agency that this change is necessary to support the favorable plan determination recently received from the Internal Revenue Service. This determination was required to qualify the plan as a tax-deferred defined benefit plan under Section 401(a) of the Internal Revenue Code. The calculation of basis recovery can have significant tax implications for members who have received distributions from the Plan 3 systems. (Department of Retirement Systems Expense Account-State)

**Compensation Updates/Corrections**

Funding is reduced for this activity to reflect lower costs due to changes in bargaining units as well as technical corrections. (Department of Retirement Systems Expense Account-State, Dependent Care Administrative Account-State, Deferred Compensation Administrative Account-Nonappropriated)

## **GOVERNMENTAL OPERATIONS**

### **Retirement Workforce Study**

DRS will analyze how the recruitment and retention of a highly skilled accountable workforce is impacted by human resource and retirement system policies and practices. The study will provide information and recommendations regarding how the state can structure its human resource and retirement practices to address the diverse needs of the changing workforce. (Department of Retirement Systems Expense Account-State)